

VILLAGE OF SAND LAKE
KENT COUNTY, MICHIGAN
AUDIT REPORT
MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name SAND LAKE VILLAGE	County KENT
Audit Date 3/31/05	Opinion Date 6/28/05	Date Accountant Report Submitted to State: 9/1/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

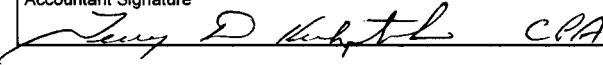
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Terry Kirkpatrick, CPA, P.C.			
Street Address 211 MAPLE STREET	City BIG RAPIDS	State MI	ZIP 49307
Accountant Signature  CPA		Date 9-1-05	

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Independent Auditor's Report

To the Village Council of the
Village of Sand Lake, Kent County, Michigan:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Sand Lake, Kent County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise Village of Sand Lake's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Village of Sand Lake, Kent County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Sand Lake, Kent County, Michigan, as of March 31, 2005, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Sand Lake has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2005. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Sand Lake, Kent County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
June 28, 2005

BASIC FINANCIAL STATEMENTS

Village of Sand Lake – Kent County, Michigan

Government Wide Statement of Net Assets

March 31, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 397,406	\$ 153,352	\$ 550,758
Accounts Receivable	0	9,271	9,271
Debt Taxes Receivable	515,000	0	515,000
Due from Other Governmental Units	22,711	506	23,217
Due from Other Funds	538	0	538
Capital Assets - Net of Depreciation	337,177	1,398,688	1,735,865
Total assets	1,272,832	1,561,817	2,834,649
LIABILITIES			
Accounts Payable	14,438	7,165	21,603
Payroll Taxes Payable	3,319	0	3,319
Due to Other Funds	105	0	105
Deferred Revenue	0	4,028	4,028
Long-term Liabilities:			
Due within one year	25,000	0	25,000
Due in more than one year	490,000	0	490,000
Total liabilities	532,862	11,193	544,055
NET ASSETS			
Invested in Capital Assets- Net of Debt	337,177	1,398,688	1,735,865
Unrestricted	402,793	151,936	554,729
Total net assets	\$ 739,970	\$ 1,550,624	\$ 2,290,594

Village of Sand Lake – Kent County, Michigan
Government Wide Statement of Activities
For the Year Ended March 31, 2005

	<u>Program Revenues</u>		<u>Net (Expense)</u>		<u>Revenue and Changes in Net Assets</u>	
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
PRIMARY GOVERNMENT						
Governmental Activities:						
General Government	\$ 167,176	\$ 20,462	\$ 0	\$ (146,714)	\$ 0	\$ (146,714)
Public Safety	127,166	67,805	0	(59,361)	0	(59,361)
Public Works	70,292	0	0	(70,292)	0	(70,292)
Other Functions	13,221	0	0	(13,221)	0	(13,221)
Interest on Long-Term Debt	15,192	47,327	0	32,135	0	32,135
Depreciation (unallocated)	26,925	0	0	(26,925)	0	(26,925)
Total governmental activities	419,972	135,594	0	(284,378)	0	(284,378)
Business-Type Activities:						
Water	88,592	29,524	0	0	(59,068)	(59,068)
Sewer	52,120	25,658	0	0	(26,462)	(26,462)
Total business-type activities	140,712	55,182	0	0	(85,530)	(85,530)
Total primary government	\$ 560,684	\$ 190,776	\$ 0	(284,378)	(85,530)	(369,908)
General Revenues						
Property Tax			139,995	0	139,995	
State Shared Revenue			99,741	0	99,741	
Interest and Dividends			4,331	2,521	6,852	
Loan Proceeds			36,000	0	36,000	
Other Revenue			32,173	0	32,173	
Total general revenues			312,240	2,521	314,761	
Change in Net Assets			27,862	(83,009)	(55,147)	
Net assets - April 1, 2004			712,108	1,633,633	2,345,741	
Net assets - March 31, 2005			\$ 739,970	\$ 1,550,624	\$ 2,290,594	

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Village of Sand Lake – Kent County, Michigan
 Governmental Fund Balance Sheet
 March 31, 2005

	General Fund	Major Street Fund	Road Bond Debt Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 118,821	\$ 67,397	\$ 37,682	\$ 173,506	\$ 397,406
Due from Kent County	14,454	0	8,257	0	22,711
Due from Other Funds	4,748	0	4,991	0	9,739
Total assets	\$ 138,023	\$ 67,397	\$ 50,930	\$ 173,506	\$ 429,856
LIABILITIES AND FUND EQUITY					
Accounts Payable	\$ 4,609	\$ 5,483	0	\$ 4,346	\$ 14,438
Due to Other Funds	5,280	1,585	0	2,441	9,306
Payroll Taxes Payable	3,319	0	0	0	3,319
Fund Balance - Unreserved and Undesignated	124,815	60,329	50,930	166,719	402,793
Total liabilities and fund equity	\$ 138,023	\$ 67,397	\$ 50,930	\$ 173,506	\$ 429,856
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets					
Total Governmental Fund Balances					\$ 402,793
Amounts reported for governmental activities in the statement of net assets are different because:					
Cost of capital assets, net of depreciation					337,177
Net assets of governmental activities					\$ 739,970

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan

Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2005

	General Fund	Major Street Fund	Road Bond Debt Funds	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property Tax	\$ 139,995	\$ 0	\$ 47,327	\$ 0	\$ 187,322
State Grants	53,360	35,755	0	10,626	99,741
Charges for Services	88,267	0	0	0	88,267
Interest and Dividends	520	896	0	2,915	4,331
Other Revenue	29,678	0	0	2,495	32,173
Total revenues	311,820	36,651	47,327	16,036	411,834
EXPENDITURES					
General Government	167,176	0	0	0	167,176
Public Safety	123,633	0	0	3,533	127,166
Public Works	10,123	28,323	0	31,846	70,292
Other Functions	13,221	0	0	0	13,221
Debt Service	0	0	35,192	0	35,192
Capital Outlay	88,319	0	0	22,407	110,726
Total expenditures	402,472	28,323	35,192	57,786	523,773
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(90,652)	8,328	12,135	(41,750)	(111,939)
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	36,000	0	0	0	36,000
Transfers In	0	0	0	25,855	25,855
Transfers Out	(20,175)	(8,000)	0	0	(28,175)
Total other financing sources (uses)	15,825	(8,000)	0	25,855	33,680
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(74,827)	328	12,135	(15,895)	(78,259)
Fund Balance - April 1, 2004	199,642	60,001	38,795	182,614	481,052
Fund Balance - March 31, 2005	\$ 124,815	\$ 60,329	\$ 50,930	\$ 166,719	\$ 402,793

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2005

Net Change in Fund Balances - Total Government Funds	\$ (78,259)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation - capital outlay	110,726
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	20,000
Transfer to Water Fund by General Fund	2,320
Depreciation expense	<u>(26,925)</u>
Change in Net Assets of Governmental Activities	<u>\$ 27,862</u>

The "Notes to Financial Statements" are an integrated part of these statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Village of Sand Lake – Kent County, Michigan

Proprietary Fund Statement of Net Assets

March 31, 2005

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 153,352	\$ 12,519
Utility bills receivable	5,243	0
Assessments receivable	4,028	0
Due from other governmental units	506	0
Due from General Fund	105	0
Total current assets	163,234	12,519
Non-current Assets		
Capital assets (Net of depreciation)	1,398,688	32,455
Total assets	1,561,922	44,974
LIABILITIES		
Current Liabilities		
Accounts payable	7,165	0
Deferred revenue	4,028	0
Total current liabilities	11,193	0
NET ASSETS		
Invested in Capital Assets - Net of Debt	1,398,688	32,455
Unrestricted	152,041	12,519
Total net assets	\$ 1,550,729	\$ 44,974

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan

Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets
For the Year Ended March 31, 2005

	Water and Sewer Fund	Internal Service Fund
Operating Revenues		
Water sales	\$ 22,054	\$ 0
Sewage disposal services	25,389	0
Water and sewer assessments	923	0
Hook-up and other charges	4,498	12,658
Total operating revenues	<u>52,864</u>	<u>12,658</u>
Operating Expenses		
Salaries and wages	23,413	0
Operating supplies	1,224	985
Contract services	33,560	1,700
Utilities and telephone	7,057	0
Repair and maintenance	24,600	125
Insurance	3,178	0
Payroll taxes	1,789	0
Miscellaneous expenses	1,624	0
Depreciation	44,267	3,123
Total operating expenses	<u>140,712</u>	<u>5,933</u>
Operating Income (Loss)	(87,848)	6,725
Non-Operating Revenues (Expenses)		
Interest Revenue	<u>2,521</u>	<u>196</u>
Income (Loss) Before Contribution and Transfers (Out)	(85,327)	6,921
Transfer from General Fund	<u>2,318</u>	<u>0</u>
Change in Net Assets	(83,009)	6,921
Total Net Assets- April 1, 2004	<u>1,633,633</u>	<u>38,053</u>
Total Net Assets- March 31, 2005	<u>\$ 1,550,624</u>	<u>\$ 44,974</u>

The "Notes to Financial Statements" are an integral part of these statements.

Village of Sand Lake – Kent County, Michigan

Proprietary Fund Statement of Cash Flows

For the Year Ended March 31, 2005

	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 58,807	\$ 0
Internal Activity- Receipts from Other Funds	0	12,658
Payments to Employees	(23,413)	0
Payments to Suppliers	(1,224)	(985)
Other Receipts (Payments)	(69,330)	(1,825)
Net cash provided (used) by operating activities	(35,160)	9,848
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from Other Funds	2,318	0
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	0	(25,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends	2,521	196
Net increase (decrease) in cash and cash equivalents	(30,321)	(14,956)
Balances- April 1, 2004	183,673	27,475
Balances- March 31, 2005	\$ 153,352	\$ 12,519
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (87,848)	\$ 6,725
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	44,267	3,123
Change in Assets and Liabilities:		
Receivables - net	5,943	0
Accounts and other payables	2,478	0
Net Cash Provided (Used) by Operating Activities	\$ (35,160)	\$ 9,848

The "Notes to Financial Statements" are an integral part of these statements.

FIDUCIARY FUNDS

Village of Sand Lake – Kent County, Michigan

Fiduciary Fund – Statement of Net Assets

For the Year Ended March 31, 2005

	Trust Fund Type	
	<u>Cemetery Perpetual Care Fund</u>	
ASSETS		
Cash and Cash Equivalents	\$	27,042
LIABILITIES		
Due to General Fund	\$	538
Fund Equity - Expendable		826
Fund Equity - Non-expendable		25,678
Total fund equity	\$	27,042

The "Notes to Financial Statements" are an integrated part of these statements.

NOTES TO FINANCIAL STATEMENTS

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements

For the Year Ended March 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Sand Lake conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Village of Sand Lake:

Reporting Entity

The Village is governed by an elected, five-member, Council. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Village does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Village of Sand Lake's property tax is levied on each December 1st on the taxable valuation of property located within Village of Sand Lake as of the preceding December 31st.

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

Although the Village of Sand Lake 2004 ad valorem tax is levied and collectible on July 1, 2004, it is Village of Sand Lake's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2004 taxable valuation of Village of Sand Lake totaled approximately \$9,156,000, on which ad valorem taxes levied consisted of 15.0 mills for the Village operating purposes and an additional 5.169 mills for street improvement bonds. These amounts are recognized in the respective General and Debt Retirement Fund financial statements as Due from Kent County and/or as a tax revenue.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted-for in another fund.

The Road Bond Debt Fund is used to record property tax and interest for expenditures for debt service.

The Village reports the following major proprietary funds:

The Water and Sewer Funds account for activities of the water distribution system and sewage collection system.

Additionally, the Village reports the following fund types:

The Village reports a Fiduciary Fund (Trust Fund). This fund accounts for Cemetery perpetual care. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements.

The Village reports five non-major special revenue funds and capital projects.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st and are considered delinquent on October 1st, at which time interest and penalties are assessed.

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	3 years to 10 years
Equipment	5 years to 10 years

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Village have its budget in place by April 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a Village to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village has designated two banks for the deposit of Village funds. The investment policy adopted by the Village Council in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 550,758

The bank balance of the primary government's deposits is \$594,576, of which \$300,000 is covered by federal depository insurance.

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	General	Road Bond Debt	Total
Taxes receivable	\$ 14,454	\$ 8,257	\$ 22,711

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

NOTE E – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated- land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Capital assets being depreciated				
Buildings	214,464	0	0	214,464
Vehicles	160,660	114,404	0	275,064
Equipment	52,500	0	0	52,500
Less Accumulated depreciation for Capital assets	(220,381)	(26,925)	(0)	(247,306)
Net capital assets	<u>\$ 217,243</u>	<u>\$ 87,479</u>	<u>\$ 0</u>	<u>\$ 304,722</u>

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

NOTE F – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Major Street	\$ 1,585
	Local Street	1,178
	Sewer	1,447
	Cemetery P.C.	538
Road Bond Debt	Road Construction	1,263
	General	3,728
	Water	1,552

NOTE G – RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Village has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Village of Sand Lake – Kent County, Michigan

Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

NOTE H – LONG-TERM DEBT REQUIREMENTS

The annual principal and interest requirements through maturity for the 2003 Road Construction Bonds outstanding as of March 31, 2005 are as follows:

Year Ending March 31	Interest	Principal	Total Requirement
2006	\$ 14,776.25	\$ 25,000.00	\$ 39,776.25
2007	14,313.75	25,000.00	39,313.75
2008	13,805.00	30,000.00	43,805.00
2009	13,250.00	30,000.00	43,250.00
2010	12,530.00	30,000.00	42,530.00
2011-2015	47,116.25	185,000.00	232,116.25
2016-2019	13,312.50	180,000.00	193,312.50
	<u>\$ 129,103.75</u>	<u>\$ 505,000.00</u>	<u>\$ 634,103.75</u>

NOTE I – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains Sewer and Water Maintenance Enterprise Funds, which provide service to Village residents. Segment information for the year ended March 31, 2005, was as follows:

	Sewer	Water	Totals
Operating revenues	\$ 25,659	\$ 27,205	\$ 52,864
Depreciation	13,221	31,046	44,267
Operating income (loss)	(26,462)	(61,386)	(87,848)
Non-operating revenues (expenses)	1,793	728	2,521
Net income (loss)	(24,669)	(58,340)	(83,009)
Net working capital	162,568	(10,525)	152,043
Total equity:			
Contributed capital	632,299	647,642	1,279,941
Retained earnings	192,104	78,687	270,791

REQUIRED SUPPLEMENTAL INFORMATION

Village of Sand Lake – Kent County, Michigan

Budgetary Comparison Schedule

General Fund

For the Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 199,642	\$ 199,642	\$ 199,642	\$ 0
Resources (inflows)				
Property Tax	139,032	137,000	139,995	2,995
State Grants	47,846	49,000	53,360	4,360
Charges for Services	74,400	81,517	88,267	6,750
Interest and Dividends	2,432	2,000	520	(1,480)
Other Revenue	29,714	27,000	29,678	2,678
Loan Proceeds - Plow Truck	0	0	36,000	36,000
Amounts Available for Appropriation	493,066	496,159	547,462	51,303
Charges to Appropriations (outflows)				
General Government				
Village Council	3,440	4,860	4,648	212
Elections	1,230	0	185	(185)
Assessor	500	500	500	0
Clerk	21,596	23,000	23,000	0
Treasurer	6,918	8,195	8,195	0
Village Hall	58,221	70,000	89,281	(19,281)
Other administrative	34,826	35,000	33,040	1,960
Cemetery	7,173	8,510	8,327	183
Public Safety				
Fire protection	66,893	81,517	70,129	11,388
Police protection	32,321	43,000	53,504	(10,504)
Public Works				
Street lighting	9,134	11,500	10,123	1,377
Other Functions				
Insurance and Bonds	0	0	3,196	(3,196)
Social security/ medicare tax	0	0	10,025	(10,025)
Contingencies	197,964	208,398	0	208,398
Capital Outlay				
Equipment	0	0	88,319	(88,319)
Transfer to Other Funds	0	0	20,175	(20,175)
Total Charges to Appropriations	440,216	494,480	422,647	71,833
Budgetary Fund Balance - March 31, 2005	\$ 52,850	\$ 1,679	\$ 124,815	\$ 123,136

Village of Sand Lake – Kent County, Michigan

Budgetary Comparison Schedule

Major Street Fund

For the Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
BEGINNING OF YEAR FUND BALANCE	\$ 60,001	\$ 60,001	\$ 60,001	\$ 0
Resources (inflows)				
State Grants	30,336	34,239	35,755	1,516
Interest and Dividends	1,200	1,394	896	(498)
Other Revenue	0	45	0	(45)
Amounts Available for Appropriation	91,537	95,679	96,652	973
Charges to Appropriations (outflows)				
Public Works				
Highways, Streets, and Bridges	36,429	43,439	36,323	7,116
BUDGETARY FUND BALANCE - March 31, 2005	<u>\$ 55,108</u>	<u>\$ 52,240</u>	<u>\$ 60,329</u>	<u>\$ 8,089</u>

Village of Sand Lake – Kent County, Michigan

Budgetary Comparison Schedule

Road Bond Debt Fund

For the Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 38,795	\$ 38,795	\$ 38,795	\$ 0
Resources (inflows)				
Property Tax	41,813	38,639	47,327	8,688
Amounts Available for Appropriation	80,608	77,434	86,122	8,688
Charges to Appropriations (outflows)				
Debt Service				
Principal payments	20,000	20,000	20,000	0
Interest paymnets	15,377	15,377	15,192	185
BUDGETARY FUND BALANCE - March 31, 2005	\$ 45,231	\$ 42,057	\$ 50,930	\$ 8,873

OTHER SUPPLEMENTAL INFORMATION

Village of Sand Lake – Kent County, Michigan
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2005

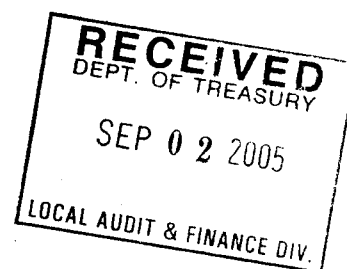
	Local Street Fund	Road Construction Fund	Fire Vehicle Fund	Fire Fighting Apparatus Fund	Police Cruiser Fund	Totals
ASSETS						
Cash and Cash Equivalents	\$ 53,720	\$ 96,387	\$ 19,552	\$ 3,166	\$ 681	\$ 173,506
LIABILITIES AND FUND EQUITY						
Accounts Payable	\$ 409	\$ 3,937	\$ 0	\$ 0	\$ 0	\$ 4,346
Due to Other Funds	1,178	1,263	0	0	0	2,441
Fund Balance	52,133	91,187	19,552	3,166	681	166,719
Total liabilities and fund equity	\$ 53,720	\$ 96,387	\$ 19,552	\$ 3,166	\$ 681	\$ 173,506

Village of Sand Lake – Kent County, Michigan
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
March 31, 2005

	Local Street Fund	Road Construction Fund	Fire Vehicle Fund	Fire Fighting Apparatus Fund	Police Cruiser Fund	Totals
REVENUES						
State Grants	\$ 10,626	\$ 0	\$ 0	\$ 0	\$ 0	10,626
Interest and Dividends	84	2,831	0	0	0	2,915
Other Revenue	0	0	2,495	0	0	2,495
Total revenue	10,710	2,831	2,495	0	0	16,036
EXPENDITURES						
Public Safety	0	0	2,714	319	500	3,533
Public Works	12,228	19,618	0	0	0	31,846
Capital Outlay	0	0	15,700	0	6,707	22,407
Total expenditures	12,228	19,618	18,414	319	7,207	57,786
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,518)	(16,787)	(15,919)	(319)	(7,207)	(41,750)
OTHER FINANCING SOURCES (USES)						
Transfers In	10,703	0	14,194	0	958	25,855
Transfers Out	0	0	0	0	0	0
Total other financing sources	10,703	0	14,194	0	958	25,855
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	9,185	(16,787)	(1,725)	(319)	(6,249)	(15,895)
FUND BALANCE - April 1, 2004	42,948	107,974	21,277	3,485	6,930	182,614
FUND BALANCE - March 31, 2005	\$ 52,133	\$ 91,187	\$ 19,552	\$ 3,166	\$ 681	\$ 166,719

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June 28, 2005

Members of the Village Council
Village of Sand Lake
Kent County, Michigan

We recently completed our audit of the basic financial statements of the Village of Sand Lake for the year ended March 31, 2005. During our audit, we had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of the Village. Based upon these tests and observations, there are several matters that we specifically want to call to your attention.

CLERK AND TREASURER'S BOOKS

The Clerk and Treasurer's financial records appeared to be maintained very well this year. Both appear to be improving every year.

The one recommendation to both is that their records should be compared every month to determine if any corrections are required. With so many funds involved it is very easy for expenditures to be recorded in a certain fund by the Clerk and a different fund by the Treasurer.

FORMS 941 AND MESC REPORTS

It appeared that the first and second quarter Forms 941 for 2005 were filed late. This may result in significant penalties. It also appeared that no state unemployment forms were filed for the entire fiscal year. These can also create penalties, although not as significant as the Forms 941. It is important that these payroll tax reports be filed timely along with the required tax.

BUDGET SHORTCOMINGS

Looking at page number sixteen of the audit report, there are several areas in which the budget requirements were not met. The items in the last column, which appear in brackets, are the areas in which the actual expenditures exceeded the budgeted amounts. In total, the budget was fine, but several individual activities should have been amended.

COMPUTER USE BY CLERK

The Village Clerk has been looking at various software options to maintain the Village books on computer in the future. Hopefully she will find something that she can utilize. The Village of Sand Lake is large enough that the task of maintaining financial records by hand are very tedious and time consuming. In addition, a good software program will provide valuable information and reports for the Council to use in making its decisions.

OTHER MATTERS

We have enjoyed working with your staff. Their competence and assistance were instrumental in our timely completion of the audit.

We have submitted two copies of the audit report, auditing procedures report, and this letter to the Michigan Department of Treasury, Local Audit Division. There is a Form F-65 enclosed which must be signed by the Village Clerk and mailed to the Michigan Department of Treasury also. A pre-addressed envelope is attached to the Form F-65.

If you have any questions regarding this letter or the audit, please do not hesitate to contact us.

Terry Kight, CPA, P.C.